

The Manchester School

VOLUME 72 2004

- Managing Editor:* Chris Orme
- Editors:* Rabah Amir, Martyn Andrews, Keith Blackburn and Eyal Winter
- Associate Editors:* Mike Artis, Robin Bladen-Hovell, Richard Cornes, David Greenaway, Hans Haller, Paul Madden, Kostas Mavromaras, Keith McLaren, Frederick Nixon, Denise Osborn, Christian Schultz, Alan Sutherland, David Young
- Book Review Editor:* Martin Currie
- Editorial Assistant:* Ann Drozdziak

CONTENTS

No. 1 January 2004

		Page
CREDIBILITY OF EUROPEAN MONETARY SYSTEM INTEREST RATE POLICIES: A MARKOV REGIME-SWITCHING APPROACH	PHILIP ARESTIS KOSTAS MOURATIDIS	1
HEDONIC PRICE INDEXES AND THE MATCHED MODELS APPROACH	MICK SILVER SAEED HERAVI	24
THE ADVERTISING OF CREDENCE GOODS AS A SIGNAL OF PRODUCT QUALITY	SUNKU HAHN	50
COINTEGRATION THEORY, EQUILIBRIUM AND DISEQUILIBRIUM ECONOMICS	KARIM MAHER ABADIR	60
INTERACTIONS BETWEEN MONEY, LENDING AND INVESTMENT IN THE UK PRIVATE NON- FINANCIAL CORPORATE SECTOR	ANDREW BRIGDEN PAUL MIZEN	72
TRADE LIBERALIZATION AND THE BALANCE OF PAYMENTS IN SELECTED DEVELOPING COUNTRIES	AMELIA U. SANTOS-PAULINO	100
CORPORATE RETENTIONS AND CONSUMERS' EXPENDITURE	MICHAEL SUMNER	119
SEGMENTATION VERSUS INTEGRATION: THE CASE OF NON-HOMOGENEOUS GROUPS	U. SPIEGEL J. TEMPLEMAN	131
FIAT MONEY IN A SEARCH-THEORETICAL MODEL WITH GENERALIST CONSUMERS	XAVIER CUADRAS-MORATÓ	152

© Blackwell Publishing Ltd and The Victoria University of Manchester, 2004.
Published by Blackwell Publishing Ltd, 9600 Garsington Road, Oxford OX4 2DQ, UK, and 350 Main Street, Malden, MA 02148, U.S.A.

The Manchester School

VOLUME 72 2004

Managing Editor: Chris Orme

Editors: Rabah Amir, Martyn Andrews, Keith Blackburn and Eyal Winter

Associate Editors: Mike Artis, Robin Bladen-Hovell, Richard Cornes, David Greenaway, Hans Haller, Paul Madden, Kostas Mavromaras, Keith McLaren, Frederick Nixon, Denise Osborn, Christian Schultz, Alan Sutherland, David Young

Book Review Editor: Martin Currie

Editorial Assistant: Ann Drozdziak

CONTENTS

No. 1 January 2004

		<i>Page</i>
CREDIBILITY OF EUROPEAN MONETARY SYSTEM INTEREST RATE POLICIES: A MARKOV REGIME-SWITCHING APPROACH	PHILIP ARESTIS KOSTAS MOURATIDIS	1
HEDONIC PRICE INDEXES AND THE MATCHED MODELS APPROACH	MICK SILVER SAEED HERAVI	24
THE ADVERTISING OF CREDENCE GOODS AS A SIGNAL OF PRODUCT QUALITY	SUNKU HAHN	50
COINTEGRATION THEORY, EQUILIBRIUM AND DISEQUILIBRIUM ECONOMICS	KARIM MAHER ABADIR	60
INTERACTIONS BETWEEN MONEY, LENDING AND INVESTMENT IN THE UK PRIVATE NON- FINANCIAL CORPORATE SECTOR	ANDREW BRIGDEN PAUL MIZEN	72
TRADE LIBERALIZATION AND THE BALANCE OF PAYMENTS IN SELECTED DEVELOPING COUNTRIES	AMELIA U. SANTOS-PAULINO	100
CORPORATE RETENTIONS AND CONSUMERS' EXPENDITURE	MICHAEL SUMNER	119
SEGMENTATION VERSUS INTEGRATION: THE CASE OF NON-HOMOGENEOUS GROUPS	U. SPIEGEL J. TEMPLEMAN	131
FIAT MONEY IN A SEARCH-THEORETICAL MODEL WITH GENERALIST CONSUMERS	XAVIER CUADRAS-MORATÓ	152

© Blackwell Publishing Ltd and The Victoria University of Manchester, 2004.

Published by Blackwell Publishing Ltd, 9600 Garsington Road, Oxford OX4 2DQ, UK, and 350 Main Street, Malden, MA 02148, U.S.A.

No. 2 March 2004

SUCCESSIVE MONOPOLIES AND REGULATION IN A SPATIAL MODEL	JOHN S. HEYWOOD DEBASHIS PAL	167
ON THE RISK-DOWNSIDE RISK TRADEOFF	CARMEN F. MENEZES X. HENRY WANG	179
PATENT LICENSING IN A LEADERSHIP STRUCTURE	TARUN KABIRAJ	188
THE EVOLUTION OF THE FINANCIAL CONTRACT IN ECONOMIC DEVELOPMENT	NILOY BOSE MARIA PEREIRA	206
INFLATION, INFLATION UNCERTAINTY AND A COMMON EUROPEAN MONETARY POLICY ...	S. FOUNTAS A. IOANNIDIS M. KARANASOS	221
INFREQUENT SHOCKS, OUTPUT PERSISTENCE AND ECONOMIC GROWTH	MASSIMO CARUSO	243
A CAUTIONARY NOTE ON THE ORDER OF INTEGRATION OF POST-WAR AGGREGATE WAGE, PRICE AND PRODUCTIVITY MEASURES... ..	ROBERT SOLLIS MARK E. WOHR	261

No. 3 June 2004

INCOMPLETELY INFORMED POLICYMAKERS AND TRADE POLICY IN OLIGOPOLISTIC INDUSTRIES	MUSTAFA CAGLAYAN MURAT USMAN	283
WHY ARE REALIGNMENTS POSTPONED? A MODEL OF EXCHANGE RATE REVISIONS WITH OPPORTUNISTIC GOVERNMENTS	PIERRE-GUILLAUME MÉON	298
ETHNICITY, EDUCATIONAL ATTAINMENT AND THE TRANSITION FROM SCHOOL	STEVE BRADLEY JIM TAYLOR	317
INDUSTRIAL OUTPUT AND STOCK PRICE REVIS- ITED: AN APPLICATION OF THE MULTIVARI- ATE INDIRECT CAUSALITY MODEL	BWO-NUNG HUANG CHIN-WEI YANG	347
THE PROFITABILITY OF EUROPEAN BANKS: A CROSS-SECTIONAL AND DYNAMIC PANEL ANALYSIS	JOHN GODDARD PHIL MOLYNEUX JOHN O. S. WILSON	363
ON (ULTRA) RATIONALITY AND THE CORPORATE AND GOVERNMENT VEILS	YANNIS A. MONOGIOS CHRISTOS PITELIS	382
HABIT FORMATION, WORK ETHICS AND TECH- NOLOGICAL PROGRESS	JOÃO RICARDO FARIA MIGUEL A. LEÓN-LEDESMA	403
A NOTE ON CAPOLUPO'S 'OUTPUT TAXATION, HUMAN CAPITAL AND GROWTH'	ANTONIO MINNITI	414

No. 4 July 2004

CONSTRUCTING A QUALITY-ADJUSTED PRICE INDEX FOR A HETEROGENEOUS OLIGOPOLY	DAVID PRENTICE XIANGKANG YIN	423
TRADEABLE EMISSIONS PERMITS, EMISSIONS TAXES AND GROWTH	BERTRAND CRETTEZ	443
RESEARCH AND DEVELOPMENT, REGIONAL SPILLOVERS AND THE LOCATION OF ECONOMIC ACTIVITIES	ALBERTO FRANCO POZZOLO	463
TESTING EXPORT-LED GROWTH IN INDIA, PAKISTAN AND SRI LANKA USING A MULTIVARIATE FRAMEWORK	JIM LOVE RAMESH CHANDRA	483
QUANTILE REGRESSION ESTIMATES OF THE UNION WAGE EFFECT FOR GREAT BRITAIN	N. C. O'LEARY P. D. MURPHY D. H. BLACKABY	497
WAGE BARGAINING AND EMPLOYER OBJECTIVES	TORBERG FALCH	515
OVER-EDUCATION AND ETHNIC MINORITIES IN BRITAIN	H. BATTU P. J. SLOANE	535
MONOTONICITY AND THE ROY MODEL	ARNAUD CHEVALIER GAUTHIER LANOT	560

No. 5 September 2004

IS THE FELDSTEIN-HORIOKA PUZZLE HISTORY?	JERRY COAKLEY ANA-MARIA FUERTES FABIO SPAGNOLO	569
INCOME DISTRIBUTION, PRICE ELASTICITY AND THE 'ROBINSON EFFECT'	CORRADO BENASSI ALESSANDRA CHIRCO	591
JOB CREATORS	MARC COWLING MARK TAYLOR PETER MITCHELL	601
IMPLEMENTATION OF THE SOCIALLY OPTIMAL OUTCOME	CHUN-HSIUNG LIAO YAIR TAUMAN	618
NON-LINEAR ERROR CORRECTION: EVIDENCE FOR UK INTEREST RATES	DAVID G. McMILLAN	626
INTEREST RATES AND INFORMATION	FERDINANDO COLOMBO	641
CASUAL JOBS AND INTERNAL LABOUR MARKETS	COLIN GREEN GARETH LEEVES	658

No. 6 December 2004

INTRODUCTION	ARMANDO BARRIENTOS COLIN KIRKPATRICK	677
THE LEWIS MODEL AFTER 50 YEARS	COLIN KIRKPATRICK ARMANDO BARRIENTOS	679
UNLIMITED SUPPLIES OF LABOR	ROBERT TIGNOR	691
ARTHUR LEWIS'S CONTRIBUTION TO DEVELOPMENT THINKING AND POLICY... ..	GUSTAV RANIS	712
DUALISM IN THE LABOR MARKET: A PERSPECTIVE ON THE LEWIS MODEL AFTER HALF A CENTURY	GARY S. FIELDS	724
W. ARTHUR LEWIS VERSUS THE LEWIS MODEL: AGRICULTURAL OR INDUSTRIAL DEVELOPMENT?	MARK FIGUEROA	736
INSTITUTIONS AND POLITICS IN A LEWIS-TYPE GROWTH MODEL	PAUL MOSLEY	751
BOOK REVIEWS		774
ERRATUM		781
LIST OF REFEREES		782
INDEX		784